

CIA HISTORICAL REVIEW PROGRAM  
RELEASE IN FULL

CONFIDENTIAL - MEMORANDUM

2003

Policy

Ref: Declarations of Lic. Guillermo Toriello to the representatives of the Guatemalan press - Meeting in the Hotel Palace (Guatemala), Thursday, 3 September, 1953.

I. Matters discussed in the press conference:

1. The note sent by the State Department of the United States to the government of Guatemala.
2. The article in the "New York Times" which was related to the memorandum of the State Department.

The Ambassador of Guatemala severely criticized the American representation. He said (according to the article published by the "Diario de Centro America"-the voice of the government-: "The technical experts of the Ministry of Foreign Relations will study this memorandum (the note of the State Department) in all those aspects which deal with basic problems, but will abstain - said Ambassador Toriello categorically- from taking, to an international plane, the discussion of Decree No. 900 which was promulgated by a state organism with complete authority of its sovereignty".. "In regard to the subjective part of the memorandum, in which are contained the thoughts and obsolete concepts of agreements between States, the government of Guatemala rejects and protests violently, considering them injurious, and because it involves diplomatic intervention in favor of foreign companies-which in complying with our laws should observe the same".

This same article states further that the Ambassador called the note "injurious, written in obsolete terms", which if employed in the conversation (the one he had on 28 August with Mr. Moors Cabot) would have caused a violent protest. The article in reference also states:

- a. That the chancelry will study and will maintain the discussion in its legal aspects but will not allow a discussion on the internal acts realized by the sovereignty.
- b. That the note of the State Department - and other acts constitute a threat to the sovereignty.
- c. And, the answer will be given within several months.

In the conversation, the Ambassador (Toriello) referred to an editorial published by the "New York Times" which he qualified as a new attack on Guatemala by "the monopolies

of North American information". He said, "In that article Guatemala is threatened again - it lies - continuing to accuse her of being communist because she has exercised her supreme laws which have affected foreigners as well as Guatemalans. The most serious portion of this article is the threat of reprisals in the coffee market- accepting this, naturally, as a compulsion to obey and favor the interests of the imperialist "trust"!- (Chronicle of "Nuestro Diario" serving the government).

Ambassador Toriello made an appeal to all the people to "unite in defense of national interests and sovereignty".

II. What position should be taken in lieu of the declaration of the Ambassador? We think that two situations should be studied:

- a. Measures are going to be taken in the economic order.
- b. Such measures will not be taken.

If the first is considered, a forceful answer will be considered the antecedent of State Department inculcation for actions taken which will be felt in the economy of Guatemala. In this case, it would not be advisable for the State Department to protest. Its attitude could be limited to declaring that "it awaits an answer from the Government together and including the declarations of Ambassador Toriello in the press conference". It should be warned that this economic action should be taken without official declaration, in such a form that in no case can the State Department be incriminated and so that an excuse always remains for the scandalous intimations which the communists will make - and especially the Guatemalan government.

As the "New York Times" was mentioned for the editorial it published, this newspaper on referring and commenting on the declarations of the Ambassador, can realize the attack on the U.S. and say all that is advantageous to the Department of State, that is, without having the characteristics of an official declaration.

The second situation, if measures effecting the economy are not considered. In this case, a forceful protest to the attacks on the U.S. can be made, since they were made by the representative of the Guatemalan government, in his position as Ambassador.

III. What measures can be taken?

- a. An immediate descent in maritime transportation - in a progressive form - until there is a paralyzation of ships that reach Guatemalan ports.

3  
b. An immediate and progressive descent in air transportation.

c. Suspension of shipments of gas and petroleum.

d. Immediate determination of gas and petroleum resources in Guatemala.

e. Limitation of the shipment and delay in the shipment of orders for goods of all kinds, including the equipment needed for amusements, bought for the celebration of the October fair.

f. Other measures that should be studied:

Point a: The effects of the descent in maritime transportation, progressively, until its paralyzation, would be felt not only in the economic but also the social and political orders.

The greatest amount of revenue of immediate disposition for the State are the duties on imports and exports. This item of revenue would be cut and the government therefore would lack essential funds to cover its budget. The dock workers would be withdrawn until there was no more work creating a real conflict for the government.

In the wharf of Port Barrios more than two thousand workers labor - in the wharves of San Jose and Champerico, around 500. The high earnings of the dock workers are the economic life of the ports. Commerce and industry would receive a terrific impact in its ordinary operations through a lack of merchandise first, and because of a lack of raw materials secondly - causing many to suspend their labors - effecting a considerable number of workers - which would create a grave conflict for the government. The lack of raw materials in the alcoholic beverage industries would lower production - reflected in the lowering of duties that the State collects for these items heavily taxed.

The same would happen with the cigarette industry which needs imported tobaccos for its production. The treasury collects an average of Q 45,000, weekly, for duties from the "Tabacalera Nacional" and Q 20,000.00 more or less from the factory, "La Alteuse", also weekly, from a stamp tax.

As there are no ships the exportation of coffee is paralyzed. The crop gathering has begun and the shipment of coffee from trees less than 3,000 feet in height will begin this month, taking greatest proportions during the months of October, November and December. The harvesting of coffee beans from tall trees begins in January and February - the deliveries beginning in February until March or April.

The tax on coffee is more than Q 10 and the production can average 1,250.00 gold quintales. The impact on this item would be made felt in the month of October and more in the months of November and December. It would effect the government because of the payment of duties, the banks because the greater part of the farmers work with credit porportioned by the Credito Hipotecario Nacional, the banks of the State and by particular banks, which will not receive the loaned amounts - paralyzing many ordinary operations.

Point b- The companies PAA and TACA transport merchandise to Guatemala and therefore the economic actions to be complete must include air transportation. It would affect commerce, industry, and the workers of these enterprises. The lack of transportation of passengers would also create problems and conflicts which, in many cases would project themselves into economic disturbances.

P Point c - The exhaustion of the supply of gas and petroleum and the impossibility in replacing such supplies would create a true crisis. These companies operate in Guatemala:

The ESSO, which imports gas and crude oil through the port of San Jose where it has two large deposits. These are transported in tank ships that are unloaded with special equipment.

The TEXAS, which unloads its gasoline in Puerto Barrios where it has deposits and installations.

The CALIFORNIA which unloads its gasoline in Cutueo, Republic of El Salvador and transports it by rail from the IRCA to Guatemala.

The PEMEX, which carries gasoline from Mexico and transports it by rail to satisfy, in part, the consumption in the western part of the Republic.

The SHELL, whose operation is to distribute the gasoline of other companies except the Mexican.

The petroleum is used fundamentally by the IRCA, the Electric company and Novella and Cia. The IRCA imports oil directly.

The lack of petroleum would pralyze the railroads and the transportation of Mexican gasoline. The effects would be felt in all the country- the workers, 5,000, more or less, would stop work and would thereby plant a grave conflict for the government. The people would not have all the articles which are ordinarily bought by this means.

The lack of gasoline would paralyze the transportation

within and outside the cities of all the Republic leaving the people without means of provisions. It would affect industries which use it for its factories and it would cause the unemployment of many workers. This would cause a grave problem for the government.

The paralization of transportation would leave the Capital without provisions and would create a distressing situation.

The lack of oil would affect the plants of electrical energy of Amatitlan so that the light and power companies would be reduced - affecting the people and many industries. Also, the lack of petroleum would affect farming where it is used for motors that move such equipment as tractors, etc. These supplies being exhausted, the government would lack fuel for its planes (civil and military), tanks, etc.

The national treasury would be affected because it would not receive the high duties which today are levied on gasoline, more than 20 cents per gallon.

Point d- The importance of the determination of supplies -resources- in the country today: would decide the length of time that it would take to produce a crisis.

Point e - The government would use other governments to get the articles of greater importance and if the control is extended to them this recourse would be cut off also. This item has less importance because the government would lack dividends, funds, means of transportation, etc., but the gesture would be advisable before other governments to prevent the measures indicated being frustrated.

Point f - Other measures less vital may be studied, but which can influence the provocation of an economic collapse which would have so great an effect that the government would not withstand it.

The maritime companies that maintain regular traffic are:

UFCA (La Flota Blanca)  
Line

Grace Line

They also have a shipping service - a Nacaraguan enterprise. The first operates in the Atlantic (Puerto Barrios) and second and third in the Pacific (Puertos: San Jose, Champerico, and Ocos) and the third in both oceans.

In order to study the declarations of the Ambassador (Toriello), we must be familiar with the note of the Department of State and the importance of this action in order to focus the matter in its particular light, but we can anticipate that, to our knowledge, there is no injury, nor is it directed against the sovereignty of the country.

According to the Constitution of Guatemala, it can only resort to diplomatic means in case of manifested denial of justice. According to the contracts of the Cia Agricola of Guatemala and the UF Co., the way to operate in cases of conflict are established. But, the denial of justice leaves open diplomatic methods. If one acts within the legal order, accepted by the nation, there cannot be injury nor wrong to the sovereignty through a complaint and less when that complaint is founded.

It is said that discussion is not necessary in regard to the Agrarian Law, but when such a law infringes on the constitution and when it is applied to deny justice to which there is a right, it is this denial that justifies a complaint and comment on the law cannot be stopped.

Through the application of an unconstitutional law, an act of denial of justice is committed. There is reason to comment on this and consider it unlawful. An arbitrary act gives one the right to protest without being accused of intervention or lesion of sovereignty. The complaint in a diplomatic manner does not constitute intervention. The complaint is limited to the discussion of an act between States, to the exposition of acts which are considered arbitrary and of rights that are considered molested to reach a satisfactory agreement, through understanding, good will, and harmony which should exist in the field of relations between nations. The State before which one should complain should respond with the corresponding courtesy and the accepted international usages, agreeing or contradicting the facts or rights that base the representation, trying to convince if it can, the complaining country- but answering in a manner as Ambassador Toriello, employing courtesy and other diplomatic tactics shows that one does not want to discuss with good will and even justice the problem planted and wants to ward off the discussion and provoke a scandal with purposes well recognized.